

February 11, 2016

Facilities	Amount (Rs. Crore)	Rating
Overdraft	5.00	SMERA BB-/Stable (Assigned)
Overdraft (Proposed)	6.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.11.00 crore bank facilities of Global Beverages Inc (GBI). The outlook is '**Stable**'. The rating derives comfort from the firm's experienced management, moderate financial risk profile and improving operating margins y-o-y. Further, the firm has also entered into contract manufacturing agreement with two companies which is expected to improve the business risk profile. However, the rating is constrained by the unfavourable changes in government regulations and intense competition in the liquor industry.

Rating Sensitivity Factors

- Ability to scale up operations
- Efficient working capital management
- Changes in government regulations

Outlook: Stable

SMERA believes that the firm will maintain a stable business outlook in the medium term and continue to benefit from the promoters' extensive experience in wholesale of liquor. The outlook may be revised to 'Positive' if the financial risk profile, particularly liquidity, improves with infusion of funds by promoters. Conversely, the outlook may be revised to 'Negative' if the firm's liquidity weakens due to unanticipated stretch in working capital cycle or withdrawal of capital by promoters.

About the Firm:

GBI, a partnership firm established in 2003, is engaged in the trading of Indian made Foreign Liquor (IMFL), foreign liquor, imported wines, beer among others. The firm, a wholesaler in Puducherry, a Union Territory is managed by Mr. S Ganeson and Mr. S Santoshkumar. GBI will be carrying out manufacturing, blending and bottling of liquor for NICOL's (National Industrial Corporation Limited) brands - NICOL black and gold brandy on leased licence and premises of Gagan Wine Trade and Financiers Limited (GWTFL).

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.82 crore on operating income of Rs.37.55 crore, as compared to PAT of Rs.0.92 crore on operating income of Rs.33.15 crore in the previous year. The firm's net worth stood at Rs.7.48 crore as on March 31, 2015 as compared with Rs.6.30 crore a year earlier.

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